Headquarters U.S. Air Force

Integrity - Service - Excellence

Current Acquisition Issues

48th Medical Logistics Symposium

Nashville, TN

5 August 2004

U.S. AIR FORCE

Capt Scott Miller

AFMSA/SGSLC

Overview

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- This is not real text
  - This page left intentionally blank
  - The rain in Spain falls mainly on the plain
- Who Shot JR?:
  - I didn't do it
  - I think he did it himself
  - He didn't get shot…he was holding out for a bigger contract
  - Who is JR?
- Do Dandelions roar?
  - Very few people know why donuts have holes
  - I got arrested for parking on the parkway…and for driving on the driveway
- Don't read this…it doesn't make sense:
  - Too much information causes headaches
  - Too little information causes headaches
  - Only 8 hours until Miller Time
  - Why did the chicken cross the road?
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Overview

- Selecting Sources of Supply: Why not PV?
- Essential Prime Vendor Concepts
- Prime Vendor Generation III
- The Contract Manager

Right Stuff
Right Place
Right Time

...at the
Lowest Delivered Cost

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Source of Supply: Why Not PV?

- **Lowest Delivered Cost Defined (Traditional):**

	Price
	Transportation
+	Surcharge
	Delivered Cost

- **Source of supply chosen from sources with best mix of price, shipping cost, and surcharge**
- **Longer pipeline times acceptable if adequate stock exists in warehouse**

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Source of Supply: Why Not PV?

- **Lowest Delivered Cost Defined (Reality):**

Price
Transportation
Surcharge
Time
+ Personnel Costs
Delivered Cost

- **PV gives us negotiated price, cheap shipping, and really low surcharge**
- **Source selection is often based on pipeline TIME and personnel EFFICIENCY when unavailable at PV**

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Source of Supply: Why Not PV?

- **Why aren't items available at the PV?**
  - **Manufacturer Backorder**
  - **Not a usage item**
  - **Drop-ship from other distribution center**
  - **EDI Reject**
  - **Can't get it from the PV**

- **Would you believe that all these "unavailability" issues are expected within the PV contracts?**

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Source of Supply: Why Not PV?

- The PV Program is a contract
  - Air Force and PV must follow the terms of the contract
  - The trick is to support your customers ***within the terms of the contract***
- Many accounts do not fully understand:
  - What is expected of them
  - What they can expect from the PV
  - When to complain
  - How to manage stock in partnership with the PV

- Misunderstanding increases pipeline TIME and decreases personnel EFFICIENCY
  - We regularly use PV for only 14% to 60% of Med/Surg Items!

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Essential PV Concepts

- Service Level Election (PVM Only)
- Usage Data
- Non-Usage Items
- Customer Service Representative
- Contracting Officer's Representative
- Rejects
- In-Process Review (IPR)
- ACPOP and Regional DAPAs

- Goal of the PV Program:
  - Best price
  - Maximize EDI
  - Deliver in time to meet customer needs

Essential PV Concepts: Service Level Election (PVM Only)

- **Service Level Election Form (SLEF)**
  - **Med/Surg PV Only**
  - **Your SLEF applies only to your account**
  - **Indicates your selection of:**
    - **Optional services**
    - **Number and location of delivery sites**
    - **Frequency of customer rep visits (recommend weekly)**
    - **Frequency of delivery (it doesn't have to be daily)**
  - **Calculates your distribution fee**
  - **Can be changed every 20 months**

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Essential PV Concepts: Usage Data

- **PV is a commercial entity seeking lowest economic levels on their shelves** (just like you)
  - **PV will not stock items without stated demand** (just like you)
- **PV contract respects this practice by requiring you to state your expected usage**
  - **No different than you asking for expected usage on an LP request**
  - **Only usage items are used to calculate fill rate**
  - **Your PV Customer Rep adds items to your usage list**
- **What items do you add to the usage list?**
  - **Only routinely-ordered items**
  - **If demand is sporadic, what can be done to normalize it?**

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Essential PV Concepts: Non-Usage Items

- **Non-Usage: Items not eligible for the Usage List**
- **Why order non-usage items from the PVM?**
  - **Free shipping**
  - **No GPC red tape, no DBPA log**
  - **PVM can collect data to recommend changes to the usage list**
- **Order as "non-usage" with EDD of about a week**
  - **Enables PV to drop ship or transfer from another distribution center**

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Essential PV Concepts: Customer Service Representative

- Your PV is Your Partner
  - Not a traditional “contractor” like other vendors
  - They need information to serve you
- Customer Service Rep visits per contract terms
  - Think twice before letting regular visits lapse!
  - Assists in considering items for addition to usage list
    - Reps are great at analyzing data
    - Make sure to validate additions at subsequent visits
  - Discuss and resolve “hiccups” in the process
  - Get you signed up / trained on the PV’s web site
  - Review Mandatory Contract and Regional Incentive Agreement Items

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Essential PV Concepts: Contracting Officer's Representative

- **Most important person in the PVM process**
  - **Acts as the "Go to" person for DSCP and PV rep**
    - **Should know the contract, fiscal side, and DMLSS**
  - **Should attend In-Process Reviews (IPR)**
  - **Counted on to solve issues:**
    - **Short pays**
    - **Bill Blocks**
    - **Credits**
    - **Usage data problems**
    - **Mandatory Contract problems**
  - **Maintains SLEF, usage report, fill rate, emergency contact information**

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Essential PV Concepts: Contracting Officer's Representative

- **PVM Accounts Must Have a COR Designated**
  - **Process Detailed On AFML PV Web Site at:**
    - **https://afml.ft-detrick.af.mil/afmlo/product/cfm/dtl.cfm?type=COR**
  - **Designate your COR in the Bluebook**
  - **Personnel changes? Ensure training complete/Bluebook**

- **For PVP, COR is called "Point of Contact"**
  - **This person should NOT be in the pharmacy!**
  - **No formal training required for PVP Point of Contact**

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Essential PV Concepts: Rejects

- **Order Confirmation Rejects are a tool**
  - **Work them daily**
  - **Don’t run to the GPC if something rejects**
    - **Call the PV and see what they can do (drop ship, transfer from alternate distribution center, suggest alternative)**
  - **Verify “R” Codes from DMLSS**
    - **If it looks odd, trust your instinct**
  - **Review chronic rejects during PV rep visits**
    - **Consider adding to usage or asking PV to stock the item**

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Essential PV Concepts: In-Process Review (IPR)

- **IPRs were designed to:**
  - **Assist Regional Logistics Chief in deciding on extending the PV's contract**
- **Real Value of IPR:**
  - **Education about the vendor's processes**
  - **Discuss, resolve issues on the spot with DSCP & PV**
  - **Have a voice in the future of your contract**
- **Your account should participate in IPRs!**
  - **Budget for it**
  - **Press DSCP for an IPR schedule for your region**
- **Med/Surg IPRs will change this spring…watch the AFMLL**

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Essential PV Concepts:

Alternate Commercial Procurement Ordering Program (ACPOP)

Regional DAPA Program

- **ACPOP is all "Non-Contract" items in Vendor Catalog (Used to be referred to as "Non-DAPA")**
  - **Can be either Usage or Non-Usage**
  - **Not in UDR; research done on vendor's web site**
- **Pricing is "Discounted" from Average Wholesale Price (AWP), but not always cheaper than other sources**
- **Consider the total delivered cost when considering ACPOP**
  - **GPC = item $ + shipping $ (+ CARE reconciliation effort)**
  - **ACPOP = item $**

Essential PV Concepts:

Alternate Commercial Procurement Ordering Program (ACPOP)

Regional DAPA Program

- **Consider ACPOP as a Local Purchase source just like DBPA's and LP items**

- **Benefits of using ACPOP:**
  - **Direct billing to DSCP (no CARE reconciliation like when you use GPC)**
  - **No extra shipping charge, your PVM already delivers to you**
  - **Your Med/Surg PV carries everything from diapers to Butterfingers, if they have it, you have access to it**

Essential PV Concepts:

Alternate Commercial Procurement Ordering Program (ACPOP)

Regional DAPA Program

- "Regional DAPAs" for PVP are just like ACPOP for PVM
  - Opens all items in PVP's inventory for your access
  - You may only buy pharmaceutically-related items
- Contact DSCP to sign up

Prime Vendor Generation III

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Pharmaceutical Prime Vendor: Generation III

- Contract Proposals Completed; Technical Evaluations will be held next week
  - Award could be by TRICARE Region OR other region
- Generation III Award This Autumn
- 5-year contract: 30-month performance periods
- Changes from Generation II to Generation III:
  - Required fill rate increased from 95% to 97%
  - Readiness Support: Surge Readiness and Sustainment will be the most important factor when offers are evaluated
  - Training and customer support more important
  - New ANSI Transaction Sets Added

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Medical/Surgical Prime Vendor: Generation III

- First draft work statement due in October 2004
- Solicitation issued February 2005
- Awarded and effective by Sep 2005
- Changes from Generation II to Generation III:
  - New ANSI Transaction Sets Added
  - Options for small facility services
  - Fill rate revision
  - Potential for addition of services to contract
- Air Force/DSCP Tiger Teams for USAF Small Site Service Issues
  - Cannon, Pope, Eglin, and Telecon with 25 Small Sites
  - Collaboration works: “Ideas” from the PV and Field
    - Role of service rep, JMAR potential, ACPOP not used, Bill Block Issues

Contract Manager

Service Contract Management Today:

- **Number of Contracts Increasing Annually**
- **Disjointed Contract Management**
- **Confusion over who "owns" contracting in the MTF**
  - **TRICARE office? RMO?**
- **Medical Logistics Flight Commander (MLFC) is responsible for contracts in the MTF**
  - **Relies heavily on NCO/civilian subject matter experts**
    - Contract management not stressed in tech school or CDCs

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Role of the MLFC

- **AFI 41-209, 4.18**
  - **Medical Logistics Flight Commander (MLFC) is Functional Director for Contract Services**
    - Ensures Customer Needs Ultimately Met
    - Ensures Contracting Receives a “Procurable Package”
    - Ensures Package Goes to Contracting in Time for Procurement
  - **MLFC Appoints Quality Assurance Personnel**
    - Authority delegated to MLFC by installation commander
  - **MLFC must be trained in quality assurance management techniques**
    - Base Contracting Office (BCO) provides training

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Role of The Service Contract Manager

- Assigned by MLFC
- Registered in the Blue Book
- Manages contracts like MEMO manages equipment
  - Maintains master list of contracts
  - Assists customers in developing packages
- Briefs improprieties to leadership
- Focal point for contracting office
- Is trained…and trains others
  - Service contract manager training in upcoming workshop
  - Service contract management training will increase for 4A1's in the future

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Summary

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- Essential Prime Vendor Concepts
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